

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 DODE-00 NSAE-00 TRSE-00 ERDA-05

CIAE-00 COME-00 MC-02 /027 W
----- 056828

R 011300Z APR 75

FM AMEMBASSY BELGRADE
TO SECSTATE WASHDC 2401
INFO AMCONSUL ZAGREB

C O N F I D E N T I A L BELGRADE 1547

E.O. 11652: XGDS-1

TAGS: ESTC YO

SUBJ: YUGOSLAV EXPORT CONTROL PROCEDURES: POST-SHIPMENT CHECKS

REF: BELGRADE 962, 0312, 6084
STATE 055675, 251710, 249399

1. SUMMARY: IN CONTEXT OF SWEEPING EXPORT CONTROL CHANGES
YUGOSLAV CHAMBER ECONOMY HAS INSTITUTED AS RESULT OF DEC 74
VISIT US INTERAGENCY TEAM, NEWLY-APPOINTED ASST SECRETARY
DIMOV HAS TURNED OVER DETAILED INFO ON SIX PROBABLE UNAUTHORIZED
DIVERSIONS WHICH OCCURRED IN 1966-72 PERIOD. DIMOV EXPRESSED DEEP
REGRET AND OUTLINED HEAVY PENALTIES METED OUT TO ALL GUILTY PARTIES.
HE REEMPHASIZED CHAMBER'S FIRM INTENTION, AND EFFECTIVE STEPS
ALREADY TAKEN, TO ASSURE THAT ALL CURRENT AND FUTURE SHIPMENTS WILL
HAVE ONLY AUTHORIZED USE, AND THAT USG WILL BE KEPT FULLY INFORMED
ON END-USERS, END-USES AND OTHER RELEVANT MATERIALS. END SUMMARY.

2. DEJAN DIMOV, NEW ASST SECRETARY IN CHARGE OF LICENSING MATTERS TO
SECRETARY OF YUGOSLAV CHAMBER OF ECONOMY, INVITED EMBOFF
TO CHAMBER MAR 28 FOR DISCUSSION OF RESULTS OF INVESTIGATION
DIMOV INSTITUTED IMMEDIATELY AFTER HIS ASSUMPTION OF RESPONSIBILITIES
LAST FALL.

3. DIMOV REQUESTED THAT ALL MATERIALS BE GIVEN STRICTLY CONFIDENTIAL
TREATMENT, AND, REFERRING TO INDIVIDUAL INVESTIGATORY FILES,
SUPPLIED FOLLOWING INFO CONCERNING CASES SET OUT IN STATE
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249399 AND 251710.

4. CASE ONE: AUTOMATIC CORE TEST SYSTEMS. ADDING TO MATERIAL PREVIOUSLY SUPPLIED (SEE BELGRADE 962), DIMOV STATED THAT CASE ORIGINATED WITH REQUEST FOR TEST SYSTEMS ADDRESSED BY ENGINEERS OF SOVIET ELECTRONICS PLANT SVETLANA TO IRET, SPLIT. ACCORDING TO DIMOV, TWO LOWER-LEVEL IRET EMPLOYEES THEN ARRANGED MEETING AT IRET BRANCH OFFICE, TRIESTE, BETWEEN ENGINEERS OF US ELECTRONICS MANUFACTURER AND SOVIET ENGINEERS. TECHNICAL AND OTHER DETAILS WERE WORKED OUT AT THAT MEETING. IRET SPLIT ORDERED EQUIPMENT FROM US MANUFACTURER, THEN TURNED IT OVER TO KOTEKS EXPORT-IMPORT FIRMS, SPLIT, FOR SHIPMENT TO FIRM IZOIMPEKS, SOFIA. IZOIMPEKS SERVED AS CONDUIT FOR REEXPORT TO USSR. DIMOV STATED THAT IRET SPLIT AND TWO INDIVIDUAL IRET EMPLOYEES WERE PROSECUTED IN 1973. IRET WAS FINED 2,179,765 DINARS (145,000 DOLLARS), AND BARRED FROM ALL IMPORT AND EXPORT TRANSACTIONS FOR PERIOD OF FOUR MONTHS. EMPLOYEES ALSO PENALIZED.

5. CASE TWO: OSCILLOSCOPES. DIMOV STATED THAT, SINCE CASE NINE YEARS OLD, AUTHORITIES HAVE NOT FOUND IT POSSIBLE TO COMPILE CONCLUSIVE EVIDENCE. INSPECTION SERVICE BELIEVES, HOWEVER, THAT EQUIPMENT WAS REEXPORTED TO HUNGARY, AND THAT JOZEF STEFAN INSTITUTE AND ELEKTROTEHNA ENTERPRISE SHARE BLAME. IT APPEARS, HOWEVER, THAT JOZEF STEFAN ACTED IN RESPONSE TO REQUEST FROM A HUNGARIAN INSTITUTE TO PROCURE OSCILLOSCOPES "AS A FAVOR", AND DID NOT REALIZE IT WAS ENGAGING IN ILLEGAL TRANSACTION.

6. CASE THREE: BONDERS AND SCRIBERS. DIMOV CLAIMED THAT YUGOSLAV AUTHORITIES HAVE EVIDENCE OF MEETING IN BELGRADE INVOLVING AMERICAN, SOVIET AND BULGARIAN ENGINEERS AS WELL AS REPS OF PROGRES AT WHICH PLAN FOR 1972 DIVERSION OF BONDERS AND SCRIBERS WAS DEVELOPED. PROGRES IMPORTED EQUIPMENT FOR CONSIGNMENT TO MIHAILO PUPIN INSTITUTE

, BUT MIHAILO PUPIN WAS MERELY ENGAGED BY PROGRES AS TECH ADVISER AND AS TESTER OF EQUIPMENT. WITHOUT KNOWLEDGE OF MIHAILO PUPIN, EQUIPMENT WAS REEXPORTED TO IZOIMPEKS, SOFIA, AND THEN ON TO USSR. PROGRES WAS PROSECUTED IN 1973, FINED 1.5 MILLIAN DINARS (US\$100,000)

, AND BARRED FROM TRADING WITH SOVIET UNION FOR PERIOD OF FOUR MONTHS. PROSECUTION OF INDIVIDUALS IS STILL UNDERWAY AND JAIL SENTENCES ARE EXPECTED.

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7. CASES FOUR AND FIVE: VIDEO TAPE RECORDERS AND CORE PRESSES. DIMOV STATED THAT EQUIPMENT ARRIVED AT LJUBLJANA AIRPORT SIMPLY MARKED "TRANSIT GOODS", AND LACKING IDENTIFICATION OF END-USER. SINCE GOODS WERE NOT TO ENTER COUNTRY, YUGOSLAV CUSTOMS AUTHORITIES REPORTEDLY DID NOT PERFORM INSPECTION. INSPECTION SERVICE IS UNABLE TO ESTABLISH

LOCATION OF GOODS CONCLUSIVELY, BUT PRESUMES THAT THEY WERE DIVERTED TO CZECHOSLOVAKIA, WITHOUT EVEN HAVING ENTERED YUGOSLAVIA, BY ELEKTROTEHNA. ACCORDING TO DIMOV, ELEKTROTEHNA WAS PENALIZED SEVERELY IN CONNECTION WITH THESE CASES, AS WELL AS ADDITIONAL ILLEGAL DIVERSIONS OF SHIPMENTS FROM UK AND FRG.

8. ADDITIONAL CASE: DIMOV DISCLOSED THAT FIRM ELEKTRONSKA INDUSTRIJA NIS WAS ALSO GUILTY OF DIVERTING EQUIPMENT IMPORTED FROM US IN PERIOD UP TO 1972, AT SOVIET INSTIGATION. AMERICAN MANUFACTURERS WERE REPORTEDLY ACCESSORIES TO OFFENSE. FIRM WAS PROSECUTED, AND OFFENSE WAS A PRINCIPAL FACTOR IN DISMISSAL OF DIRECTOR GENERAL VLADIMIR JASIC TWO YEARS AGO. DEP DIR GEN WAS ALSO SEVERELY PENALIZED.

9. DIMOV EXPRESSED DEEP REGRET AND DISMAY ABOUT INCIDENTS, EACH OF WHICH HE ATTRIBUTED TO DISHONESTY OF VERY LIMITED NUMBER OF SUBORDINATE INDIVIDUALS AND LACK OF SUFFICIENT CARE BY HIGHER-LEVEL OFFICIALS. AS RESULT OF COMPLETELY NEW SYSTEM OF SAFEGUARDS INSTITUTED

BY CHAMBER, DIMOV CONVINCED THAT RECURRENCE OF SUCH PROBLEMS OUT OF QUESTION. HE EXPRESSED HOPE THAT BOOKS CAN SHORTLY BE CLOSED ON THESE INCIDENTS -- ALL OF WHICH DATE FROM 1966 TO '72 PERIOD -- AND THAT US-YUGOSLAV RELATIONSHIP IN THIS AREA WILL BE BASED ON NEW CHAMBER POLICY OF OBTAINING AND PROVIDING COMPLETE, RELIABLE INFO ON ALL TRANSACTIONS AND CONDUCTING FREQUENT INSPECTIONS.

10. COMMENT: WHILE FACTS DISCLOSED BY DIMOV ARE GRIM INDEED, WE BELIEVE HIS COMPLETE FRANKNESS AND HONESTY IN PROVIDING DETAILED INFO NOT ONLY ABOUT FIVE CASES PRESENTED BY INTER-AGENCY TEAM BUT ABOUT ADDITIONAL CASES AS WELL DESERVE RECOGNITION. DIMOV FRANK DISCLOSURES, THE SEVERE PENALTIES METED OUT TO OFFENDERS, AND IMPLEMENTATION OF SYSTEM HE OUTLINED TO INTER-AGENCY TEAM IN CONFIDENTIAL

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DEC GIVE REASON FOR ENCOURAGEMENT THAT ERA OF PRODUCTIVE US-YUGOSLAV COOPERATION IN THIS AREA NOW UNDERWAY, AND THAT CURRENT AND FUTURE SHIPMENTS WILL HAVE ONLY AUTHORIZED USE WITHIN YUGOSLAVIA. TOON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EXPORT CONTROLS, END USE CHECKS, CUSTOMS ADMINISTRATION, EXPORT LICENSES
Control Number: n/a
Copy: SINGLE
Draft Date: 01 APR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BELGRA01547
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: X1
Errors: N/A
Film Number: D750112-0552
From: BELGRADE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750495/aaaadihh.tel
Line Count: 158
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 BELGRADE 962, 75 0312, 75 6084
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 02 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 MAY 2003 by CunninFX>; APPROVED <05 MAY 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: YUGOSLAV EXPORT CONTROL PROCEDURES: POST-SHIPMENT CHECKS
TAGS: ESTC, YO, US
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006